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Atari Online News, Etc.
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A-ONE #1326   07/01/11

~ Web Sales Tax Battles! ~ People Are Talking!   ~ DEFCON Kids Train!
~ Jihadist Forum Kayoed! ~ MySpace Finally Sold! ~ Obvious Re-Launched!
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->From the Editor's Keyboard   "Saying it like it is!"
  """""""""""""""""""""""""""

It's been another long week, and I'm exhausted! My back and leg are killing
me; my first spinal treatment apparently isn't working.   But, I was warmed
that the initial treatment wouldn't work, so I'm not blaming that. I'm
already working on getting the next session scheduled!

Fortunately, we're starting another long holiday weekend, so I may get an
opportunity to get in some relaxation. I am working a couple of the weekend
days, so I won't get to enjoy too much "free" time, but I'll take whatever I
can get at this point!

The "Whitey" Bulger story is still major headline news around here. The trial
hasn't begun yet, but it's already looking like this is going to be one
helluva three-ring circus trials. $14,000 helicopter rides from jail to the
court, a court-appointed lawyer for Bulger courtesy of the taxpayers, and
the dropping of some charges to expedite court proceedings are just a few
of the latest fiascoes emanating from this story. As far as I'm concerned,
this is nothing compared to what lies ahead!

Speaking of fiascoes... Gee, big surprise that the U.S. Supreme Court
knocked down a California law regarding sales of violent video games to
kids as unconstitutional. Don't worry, California will be looking for a
loophole or two in the ruling to base its appeal! Waste more taxpayers'
money fighting another stupid cause! But, California managed to "get
even" with another controversial law, which it passed: the "Amazon Law"
which gives them the power to tax residents for internet purchases with
companies that have a presence in that state. Amazon is fighting back
to a certain degree by breaking off its relationship with all of its
affiliates in the state. As another article in this week's issue
mentions, everyone should be concerned that their state will begin (or
continue) to fight for a similar law in their individual states! Just
one more way for governments sticking it to the taxpayer!

Well, I've had enough for one week; it's time to prepare for the holiday
weekend. Enjoy the 4th - be safe, and look out for the other guy!

Until next time...

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->A-ONE's Game Console Industry News   - The Latest Gaming News!
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          Can't Ban Violent Video Sales to Kids, Court Says

States cannot ban the sale or rental of ultraviolent video games to
children, the Supreme Court ruled Monday, rejecting such limits as a
violation of young people's First Amendment rights and leaving it up to
parents and the multibillion-dollar gaming industry to decide what kids
can buy.

The high court, on a 7-2 vote, threw out California's 2005 law covering
games sold or rented to those under 18, calling it an unconstitutional
violation of free-speech rights. Writing for the majority, Justice
Antonin Scalia, said, "Even where the protection of children is the
object, the constitutional limits on governmental action apply."

Scalia, who pointed out the violence in a number of children's fairy
tales, said that while states have legitimate power to protect children
from harm, "that does not include a free-floating power to restrict the
ideas to which children may be exposed."

Justices Stephen Breyer and Clarence Thomas dissented from the decision,
with Breyer saying it makes no sense to legally block children's access
to pornography yet allow them to buy or rent brutally violent video games.

"What sense does it make to forbid selling to a 13-year-old boy a
magazine with an image of a nude woman, while protecting the sale to
that 13-year-old of an interactive video game in which he actively, but
virtually, binds and gags the woman, then tortures and kills her?"
Breyer said.

Video games, said Scalia's majority opinion, fall into the same category
as books, plays and movies as entertainment that "communicates ideas - and
even social messages" deserving of First Amendment free-speech protection.
And non-obscene speech "cannot be suppressed solely to protect the young
from ideas or images that a legislative body thinks unsuitable for them,"
he said.

This decision follows the court's recent movement on First Amendment
cases, with the justices throwing out attempts to ban animal cruelty
videos, protests at military funerals and political speech by businesses.

The court will test those limits again next session when it takes up a
new case involving government's effort to protect children from what
they might see and hear. The justices agreed to review appeals court

rulings that threw out Federal Communications Commission rules against the isolated use of expletives as well as fines against broadcasters who showed a woman's nude buttocks on a 2003 episode of ABC's "NYPD Blue."

The decision to hear the FCC case was one of the last the full court made this session. Before leaving on their annual summer break on Monday, the justices also:

More than 46 million American households have at least one video-game system, with the industry bringing in at least $18 billion in 2010. The industry has set up its own rating system to warn parents which video games are appropriate for which ages, with the rating "M" placed on games that are considered to be especially violent and only for mature adults.

That system is voluntary, however. California's 2005 law would have prohibited anyone under 18 from buying or renting games that give players the option of "killing, maiming, dismembering, or sexually assaulting an image of a human being." Parents would have been able to buy the games for their children, but retailers who sold directly to minors would have faced fines of up to $1,000 for each game sold.

That means that children would have needed an adult to get games like "Postal 2," the first-person shooter by developer Running With Scissors that includes the ability to light unarmed bystanders on fire. It would also apply to the popular "Grand Theft Auto" games, from Rockstar Games, that allow gamers to portray carjacking, gun-toting gangsters.

The California law never took effect. Lower courts have said that the law violated minors' constitutional rights, and that California lacked enough evidence to prove that violent games cause physical and psychological harm to minors. Courts in six other states, including Michigan and Illinois, reached similar conclusions, striking down similar bans.

Video game makers and sellers celebrated their victory, saying Monday's decision puts them on the same legal footing as other forms of entertainment. "There now can be no argument whether video games are entitled to the same protection as books, movies, music and other expressive entertainment," said Bo Andersen, president and CEO of the Entertainment Merchants Association.

But the battle may not be over. Leland Yee, a child psychologist and California state senator who wrote the video game ban, told The Associated Press Monday that he was reading the dissents in hopes of finding a way to reintroduce the law in a way that would be constitutional.

"It's disappointing the court didn't understand just how violent these games are," Yee told the AP.

Thomas argued in his separate dissent that the nation's founders never intended for free speech rights to "include a right to speak to minors (or a right of minors to access speech) without going through the minors' parents or guardians."

And at least two justices, Chief Justice John Roberts and Justice Samuel Alito, indicated they would be willing to reconsider their votes under certain circumstances. "I would not squelch legislative efforts to deal with what is perceived by some to be a significant and developing social problem," Alito said, suggesting that a narrower state law might be upheld.

States can legally ban children from getting pornography. But Scalia said in his ruling that, unlike depictions of sexual conduct, there is no tradition in the United States of restricting children's access to depictions of violence. He noted the violence in the original depictions of many popular children's fairy tales such as Hansel and Gretel, Cinderella and Snow White.

Hansel and Gretel kill their captor by baking her in an oven, Cinderella's evil stepsisters have their eyes pecked out by doves and the evil queen in Snow White is forced to wear red hot slippers and dance until she is dead, Scalia said.

"Certainly the books we give children to read - or read to them when they are younger - contain no shortage of gore," he said.

And there is no proof that violent video games cause harm to children, or any more harm than another other form of entertainment, he said.

One doctor "admits that the same effects have been found when children watch cartoons starring Bugs Bunny or the Road Runner or when they play video games like Sonic the Hedgehog that are rated 'E' or even when they 'view a picture of a gun," Scalia said.

Tim Winter, president of the Parents Television Council, said the decision created a constitutionally authorized "end-run on parental authority."

"I wonder what other First Amendment right does a child have against their parents' wishes?" he said. "Does a child now have a constitutional right to bear arms if their parent doesn't want them to buy a gun? How far does this extend? It's certainly concerning to us that something as simple as requiring a parental oversight to purchase an adult product has been undermined by the court."

The case is Brown v. Entertainment Merchants Association, 08-1448.

World of Warcraft Expands Free Trial

The most popular online multiplayer game in the world is now free to play through level 20

If you've somehow managed to resist the global gaming phenomenon known as World of Warcraft, get ready to feel your defenses weakening. Yesterday, World of Warcraft's creator Blizzard announced that the game would be free to play through level 20 via a new Starter Edition, further eroding potential barriers for new players.

Previously, the game had offered a free trial, but it expired after a 2-week period. Now, new players could conceivably enjoy certain aspects of the virtual world for free indefinitely, though the new offer does come with a handful of limitations. In the game, players progress through levels, earning 'experience points' for slaying the world's myriad monsters and completing objective-based missions known as quests.

In the new trial offer, players won't be able to progress past level 20 without paying, but the game won't cut off - they'll just stop earning

experience points. The game's maximum level or 'level cap' is now 85, and levels become increasingly difficult to earn as you climb your way up the rungs.

As generous as the offer sounds, Blizzard knows better. The game offers an intoxicatingly expansive fantasy world, and many new players find themselves more than happy to sign up after getting an initial taste of the epic (and epically successful) game.

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California Passes Law Forcing Web Retailers To Charge Sales Tax

For Californians, the days of avoiding paying sales tax for items purchased on the Web ended Wednesday night.

California Gov. Jerry Brown passed a portion of the state budget on Wednesday night that would require Internet retailers with affiliates in the state of California to collect sales taxes from customers living there.

In retaliation, Amazon.com reportedly sent letters to its affiliates in the state, terminating its relationship with them.

The so-called budget trailer bill, ABx1 28, was authored by Assemblymember Bob Blumenfield (D-San Fernando Valley).

The law would require businesses on the Internet with affiliates in California to report and pay sales tax. California residents are required to pay so-called use taxes, but they are rarely, if ever, collected.

"Generally, if sales tax would apply when you buy physical merchandise in California, use tax applies when you make a similar purchase without tax from a business located outside the state," according to the California Board of Equalization's Web page. That includes Web sites like Amazon, which would lose that profit to the state. According to the Los Angeles Times, the savings would be about $200 million.

The Times also reported that Amazon.com had sent notices to its California affiliates, terminating its agreements with them. That's because the bill has a provision that triggers the sales tax clause us a California state resident refers a purchase to the retailer, including via an Internet link or Web site.

Amazon representatives could not be immediately reached for comment.

However, while Amazon may be the highest-profile company affected by the new law, other smaller Web retailers and service providers weren't happy, either.

"While the government has been trying to target Amazon and the big guys that they say are costing them hundreds of millions in tax revenue, Ebates has been arguing since the beginning that you're going to collect zero from them and hurt the 25,000 small businesses in the process," Rob Smahl, chief marketing officer for Ebates, said in an emailed statement. "What we're worried about now is the loss of jobs, loss of revenue for a bill that won't collect a dime."

A similar bill to enforce the collection of taxes by online affiliates of Amazon and others passed the California Senate in 2010, but Governor Schwarzenegger vetoed the bill. Similar bills have passed in New York, North Carolina and Rhode Island.

In Texas, the state comptroller has attempted to charge Amazon $269 million in what she claims is unpaid Texas state taxes. In response, Amazon sent a letter threatening to close a distribution center, according to The Austin Daily Statesman.

In February, Barnes & Noble launched a program to woo Amazon affiliates affected by Amazon's decision.

There are certain exceptions to the new California state law: small businesses who recorded less than $500,000 in revenue for the last 12 months wouldn't be subject to the law, provided that "total cumulative sales price from all of the retailer's sales" didn't exceed $10,000, the law says.

But that wouldn't apply to Amazon, whose revenue topped $5 billion for the most recent quarter.

Amazon Ends Deal with 25,000 California Websites

Gov. Jerry Brown has signed into law California's tax on Internet sales through affiliate advertising which will immediately cut small-business website revenue 20% to 30%, experts say.

The bill, AB 28X, takes effect immediately. The state Board of Equalization says the tax will raise $200 million a year, but critics claim it will raise nothing because online retailers will end their affiliate programs rather than collect the tax.

Amazon has already emailed its termination of its affiliate advertising program with 25,000 websites. The letter says, in part:

(The bill) specifically imposes the collection of taxes from consumers on sales by online retailers - including but not limited to those referred by California-based marketing affiliates like you - even if those retailers have no physical presence in the state.

We oppose this bill because it is unconstitutional and counterproductive. It is supported by big-box retailers, most of which are based outside California, that seek to harm the affiliate advertising programs of their competitors. Similar legislation in other states has led to job and income losses, and little, if any, new tax revenue. We deeply regret that we must take this action.

The new law won't affect customers, Amazon said, but added that the

immediate termination of the affiliate program also applies to endless.com, myhabit.com and smallparts.com.

(Full disclosure: I have a personal website that has been an Amazon ffiliate. It made $2 last quarter. That is not 30% of my income.)

Almost all the California Amazon affiliates have fewer than 75 employees and a large percentage have no employees, according to Rebecca Madigan, executive director of the Performance Marketing Association, a Camarillo-based nationwide trade association.

"This law won't impact Amazon that much but it is a crisis for website owners who make revenue by placing ads on their websites for thousands of online retailers," Madigan said. "Most of them don't have a physical presence in California."

California Retailers Association stated: "We thank Governor Jerry Brown and the leaders in the California State Legislature who have demonstrated their leadership and commitment to California businesses by passing and signing e-fairness into law. Small and large businesses across the state have been held at a major disadvantage by the current law that out-of-state online companies like Amazon.com and Overstock.com have exploited for years. This has cost us jobs and revenues."

The U.S. Supreme Court in 1992 ruled that states cannot tax businesses that aren't physically within their boundaries. Such taxes would regulate interstate commerce, which is a federal government prerogative.

However, New York in 2008 passed a law to require companies with online affiliate advertising programs to collect sales tax for sales through those affiliates based in New York. Since then Rhode Island, North Carolina, Illinois, Arkansas and Connecticut passed similar laws.

Amazon is suing New York over the law, and the Performance Marketing Association is suing Illinois.

Amazon affiliate Keith Posehn, owner of zorz.com in San Diego, said he had affiliate advertising agreements with more than 70 companies and these programs were 35% of his company revenue before the California legislature passed a similar bill last year. Then-Governor Schwarzenegger vetoed that bill.

"We got 70 termination letters in one night before he vetoed it," Posehn said. After that, he started changing his business away from affiliate advertising and has started a new mobile application company.

"I have pitched investors and several question the wisdom of staying in California," Posehn said. "Some venture capitalists are very keen on placing startups outside California because start-up costs are less."

However, another Amazon affiliate, Glenn Richards, an independent recording artist in Orange County (MightyFleissRadio.com), is angry with Amazon and its head Jeff Bezos.

"I think that Amazon.com's decision to throw their affiliates, (including myself) under the bus is a national disgrace," Richards said. "Jeff Bezos should be ashamed of his conduct. His bully boy practice and tactics of extinguishing small business in California should be (condemned). Small business has no power...and no hope to confront Internet giants like Amazon.com."

Board of Equalization Member George Runner blasted Brown for signing the law. "Even as Governor Jerry Brown lifted his pen to sign this legislation, thousands of affiliates across California were losing their jobs. The so-called 'Amazon tax' is truly a lose-lose proposition for California. Not only won t we see the promised revenues, we ll actually lose income tax revenue as affiliates move to other states."

States Gird for Battle in Web Tax War

Over the past few years, new battle lines have been drawn in the war over taxing Internet sales. States where revenue is climbing back at a slow rate from recessionary lows are calculating the money they have forgone by not collecting sales taxes on goods sold by big on-line retailers such as Amazon.com Inc and Overstock.com.

But just as each state is unique, these fights differ from place to place. Most disputes revolve around whether a worldwide company has a physical presence in a state or if it sells goods through smaller companies, also known as affiliates, in the state. Meanwhile, companies fear that they will be entangled by the wide variety of laws within and among states, having to work to comply with 50 separate tax codes.

"In fact, only Congress has the authority to let states require the collection of the billions of dollars in uncollected sales tax revenues from e-commerce transactions," wrote the Council of State Governments in a recent report.

A 2009 study by the University of Tennessee estimated that annual national state and local sales tax losses on Web commerce will grow to more than $11 billion in 2012 and could be as much as $12.65 billion.

The study found that over a five-year span starting in 2007, California would lose the most money at $8.7 billion. Arizona, Florida, Georgia, Idaho, Louisiana, Minnesota, New York, Ohio, Pennsylvania, Tennessee, Texas, and Washington all would lose more than $1 billion in revenue.

Below are the recent developments in the states' battles over what some call "The Amazon Tax."

California

Governor Jerry Brown signed legislation at the end of June that goes beyond most laws by also levying taxes on those who develop products the retailers sell and by giving the state's Board of Equalization the power to determine which businesses must collect sales taxes. Amazon told its 10,000-plus California sales affiliates that it may sever ties with them. Amazon may not be able to cut off all of its work force in the wealthiest state, though, given that its subsidiary in the San Francisco area develops its popular Kindle electronic reader.

South Carolina

In April, the House defeated an amendment that would have provided a five-year sales tax exemption to Amazon in exchange for the on-line retailer building a distribution center in the state. Amazon canceled plans to build in South Carolina.

Arkansas

In April, Governor Mike Beebe signed a law requiring Amazon and Overstock, along with other Internet retailers, to collect sales taxes on purchases if they generate more than $10,000 a year in sales to Arkansas residents through local affiliate websites. Overstock told its affiliates in the state they will no longer do business with them unless they relocate to a state without a tax law.

Illinois

In March, the state began requiring retailers and their affiliates to collect sales taxes on purchases made by Illinois residents in a "click through" law. Amazon has threatened to cut off affiliates in the state.

Colorado, North Carolina, Rhode Island

Amazon terminated its affiliate programs in the three states after they too passed "click-through" laws.

Texas

In September Texas Comptroller Susan Combs sent Amazon a bill for $269 million for uncollected sales taxes, interest and penalties for the period December 2005 to December 2009. Combs says Amazon has a presence in the state and must pay sales taxes. But Amazon countered that its location, which is owned by a subsidiary, does not constitute the kind of physical presences the state's tax law requires. It announced it would close its distribution center, shedding 119 jobs.

Tennessee

Amazon is finishing a distribution center in Chattanooga and plans to construct another site nearby in Bradley County. The company will hire more than 1,400 full-time workers and more than 2,000 part-time workers through its centers. Tennessee officials say taxpayer confidentiality laws keep the state from stating if it gave Amazon an exemption from a law requiring any retailer with a physical presence in the state to collect sales taxes on in-state purchases.

New York

The state passed legislation in 2008 requiring Amazon to collect sales taxes. Amazon is challenging the law in court.

Washington, Kansas, North Dakota, Kentucky

Amazon collects taxes in these four states because it has a physical presence there. Washington is its headquarters. Kansas and North Dakota are home to its call centers and the company processes returns in Kentucky.

Utah

Overstock collects taxes there because it is based in the state.

LulzSec Member Says Group Is 'Bored'

A member of a publicity-seeking hacker group that sabotaged websites over the past two months and is dissolving itself says his group isn't disbanding under pressure from the FBI or enemy hackers.

"We're not quitting because we're afraid of law enforcement," the LulzSec member said in a conversation with The Associated Press over the Internet voice program Skype. "The press are getting bored of us, and we're getting bored of us."

The group's hacking has included attacks on law enforcement and releases of private data. It said unexpectedly on Saturday it was dissolving itself.

In the Sunday interview, the hacker acknowledged that some of the material being circulated by rivals online - which purports to reveal the hackers' online nicknames, past histories, and chat logs - was genuine, something he said had proved to be "a distraction."

He added that three or four of Lulz Security's members were taking what he called "a breather" and said he was considering giving up cyberattacks altogether.

"Maybe I'll stop this hacking thing entirely. I haven't decided," he said. He said he couldn't speak for the others' long-term plans, but said it was possible some of the members would continue to be involved with Anonymous, the much larger and more amorphous hacking group which has targeted the Church of Scientology, Middle Eastern dictatorships, and the music industry, among others.

He said the six-member group was still sitting on a considerable amount of stolen law enforcement files.

"It's safe to say at this point that they are sitting on a lot of data."

Although the hacker declined to identify himself publicly, he has verified his membership with Lulz Security by posting a pre-arranged message to the group's popular Twitter feed.

Lulz Security made its Saturday announcement about disbanding through its Twitter account. That statement gave no reason for the disbandment.

One of the group's members was interviewed by The Associated Press on Friday, and gave no indication that its work was ending. LulzSec claimed hacks on major entertainment companies, FBI partner organizations, the CIA, the U.S. Senate and a pornography website.

Kevin Mitnick, a security consultant and former hacker, said the group had probably concluded that the more they kept up their activities, the greater the chance that one of them would make some mistake that would enable authorities to catch them. They've inspired copycat groups around the globe, he noted, which means similar attacks are likely to continue even without LulzSec.

"They can sit back and watch the mayhem and not risk being captured," Mitnick said.

As a parting shot, LulzSec released a grab-bag of documents and login information apparently gleaned from gaming websites and corporate servers. The largest group of documents - 338 files - appears to be

internal documents from AT&T Inc., detailing its buildout of a new wireless broadband network in the U.S. The network is set to go live this summer. A spokesman for the phone company could not immediately confirm the authenticity of the documents.

In the Friday interview, the LulzSec member said the group was sitting on at least 5 gigabytes of government and law enforcement data from across the world, which it planned to release in the next three weeks. Saturday's release was less than a tenth of that size.

In an unusual strategy for a hacker group, LulzSec has sought publicity and conducted a conversation with the public through its Twitter account. LulzSec attacked anyone it could for "the lulz," which is Internet jargon for "laughs."

Hackers School Next Generation at DEFCON Kids

DEFCON hackers will share their skills with the next generation at a first-ever children's version of the infamous gathering of software renegades, lock pickers and social engineers.

DEFCON Kids will take place in Las Vegas on August 6-7 during the 19th annual DEFCON started by hackers such as "Dark Tangent" when they were young computer coding or hardware cracking rebels.

"Hackers are getting older and having kids," said Joe Grand, a DEFCON veteran known as 'Kingpin' who has wowed attendees with event badges made of circuit boards that could be hacked to serve as radios or other gadgets.

"It is interesting to follow the process of other people's backup units; how they are coming along."

Grand, 35, recalling teen years in which his electronics skills got him benefits such as free telephone calls and trouble like an arrest for "computer-related stuff" he didn't detail.

"I was scared straight and there was nobody there to guide me straight," said Grand, who will teach hardware hacking at DEFCON Kids, which is open to children ages eight to 16.

"It feels nice to have an opportunity to be a mentor for kids who might be outcasts at school for having skills that aren't cool; that other kids don't understand."

Grand's two-and-a-half-year-old son has his own work space in dad's lab where he excitedly looks forward to being old enough to solder circuits.

A hacker conference for children is controversial even in the DEFCON community.

Prime targets for criticism include lock picking and social engineering, the art of manipulating people into revealing sensitive information.

"Everyone is up in arms that we are going to teach kids to be evil, but that is not the case," said Chris Hadnagy, who trains companies to guard against slick-talking hackers and runs the website social-engineer.org.

"Think critically, think objectively - that is what this industry teaches people," continued Hadnagy, a DEFCON Kids mentor.

"The Internet is a breeding ground of predators, and not falling for those things is a skill I want my kids to have when someone is trying to manipulate them into something; whether it is peer pressure or a malicious adult."

Hadnagy and others behind DEFCON Kids were adamant that in a world where children are surrounded by technology it is smart to provide guidance and a place where they can safely, and legally, test hacker skills.

Hadnagy, whose book Social Engineering: The Art of Human Hacking came out this year, tailored a "Capture the Flag" game for the event.

The game will include deciphering clues, picking locks, and reading body language and subtle facial expressions.

"Kids are great at it," said Hadnagy. "This gives them a chance to grow into what we are now, the ones who keep companies secure."

Since DEFCON debuted in 1993, many once-nefarious attendees have become computer security good guys bent on defending companies and homes against cyberattacks.

Government agents once flushed out in a game called "Spot the Fed" at the world's largest hacker gathering are now welcomed on panels such as "Meet the Fed." National police agencies recruit talent at DEFCON.

DEFCON founder Jeff Moss, whose hacker handle is Dark Tangent, is on a White House homeland defense council and heads security for the agency in charge of Internet addresses.

The US National Security Agency is to bring a museum-quality cryptography exhibit this year.

"While DEFCON has a bit of edgy counter-culture to it, there is a need to harness, direct and encourage children," said Christofer Hoff, a hacker dad and a lock picking tutor at DEFCON Kids. "It is a natural complement."

Hoff has taught his daughters to pick locks and launched HacKids camps in the United States about a year ago after peers in the security industry wondered how to hook children on science and math skills.

"I got to learn about computers and do fun stuff like trebuchets and marshmallow gun fights," said his 10-year-old daughter and hackid.org camp attendee Chloe. "It was really cool to figure out how things work."

Hoff's girls will be volunteer "goons" helping at DEFCON Kids, where his session was renamed "The physics of locks."

"When we talk about teaching kids hacking it is about the creative, sometimes interesting out-of-the-box embracing of science, math, computers...to get their creative juices flowing," Hoff said.

"If you teach a kid how to light a match, does it mean he will turn into an arsonist?" he asked rhetorically. "Probably not, but he will learn how not to burn himself."

Germans Fear Cyber-Crime As Digital Blackmail Grows

Germans are increasingly afraid of becoming the target of cyber-criminals, with 85 percent fearing thieves will steal their credit card data or gain online access to bank accounts.

According to a survey by German tech industry association Bitkom published on Thursday, the number of Internet users over the age of 14 fearing such an attack has risen to 85 percent this year compared with 75 percent in 2010.

Data confirm the problem is growing, prompting the German federal police (BKA) to warn Internet users that perpetrators are extremely innovative and can adapt to rapidly changing security measures.

Part of the problem is that one in five people still does not use any form of computer protection, Bitkom said.

Law enforcement around the world is scrambling meanwhile to combat cyber crime, while each week seems to brings a new attack - from activists promoting a cause, to more serious security breaches and data thefts at Sony Corp, Citigroup or the International Monetary Fund (IMF).

The various types of digital blackmail, for example, are rising as more people are coerced into paying some form or ransom so their stolen data won't be sold over the Internet or to put an end to cyber-attacks on corporate websites.

"Cyber-criminals are increasingly relying on social engineering. They try to gain access to sensitive information, by putting employees under pressure or taking advantage of their willingness to help," BKA President Joerg Ziercke said in a statement.

Last year, the number of cybercrimes in Germany increased by 19 percent while ensuing damages jumped by two-thirds to 61.5 million euros ($87.5 million), data from the federal police showed.

So-called "phishing" of online-bank data nearly doubled, with the average damage amounting to roughly 4,000 euros.

In an effort to combat cyber crime, Germany launched a cyber attack defense center this month.

In the United States, Defcon - the world's biggest gathering of hackers held in Las Vegas every summer - is taking a different approach.

This year it will kick off the first Defcon Kids conference for children between eight and 16 to learn the skills of computer hackers, as well as to protect themselves against cyber attacks.

U.S. federal agents plan to use the occasion to size up tech-savvy youngsters who could form the next generation of digital crime-fighters.

Jihadist Web Forum Knocked Off Internet

A popular jihadist Internet forum has been knocked off the Internet, and counterterrorism experts say it appears it was hacked.

Cybersecurity analysts say the al-Shamukh forum appears to have been taken down by a fairly sophisticated cyberattack that hit not only the website, but the server - which is the main computer that enables people to access the site over the Internet.

Evan Kohlmann, a counterterrorism expert who tracks jihadist websites as a senior partner with Flashpoint Partners consultancy in New York, described the site as a key al-Qaida propaganda forum.

He said it bounces around between Internet hosts every few months, but has seemingly been allowed to exist as an open secret, possibly allowing a Western government to use it as an intelligence resource.

"These sites can be like spy satellites, they're great ways of gathering information about your adversaries," he said in an interview late Wednesday. "Bringing them down is like shooting at your own spy satellites. But there are others who don't agree with that."

He said there's been a "struggle behind the scenes" in the U.S. government about whether to allow the site to stay up.

Other cyber experts agreed that the site is a popular jihadist forum.

"The al-Shamukh website had become the most trusted and exclusive haunt for e-jihadists," said Jarret Brachman, a terrorism expert who has spent a decade monitoring al-Qaida's media operations and advises the U.S. government. "If it doesn't come back up soon, the forum's registered members will start migrating to the half a dozen other main forums, all of whom are probably chomping at the bit to replace Shamukh as the pre-eminent al-Qaida forum."

The Defense Department said late Wednesday that it was aware of reports that al-Qaida's Internet operations had been disrupted, but could not comment on the specific incident.

Kohlmann raised the possibility that a government could be behind the website's problems.

If true, this would not be the first time that government officials have sabotaged an al-Qaida website.

U.S. and British officials have acknowledged that British intelligence authorities launched a cyberattack against al-Qaida's English-language Internet magazine, Inspire, taking down directions for bomb-making and replacing them with cupcake recipes.

U.S. authorities had considered knocking the magazine off the Internet but realized it would just go down for a few days, then reappear, according to one U.S. official. The official, who spoke on condition of anonymity because of the sensitivity of the issue, said the U.S. believed it was more productive to keep an eye on the site and glean intelligence from it.

Kohlmann said chatter from another message board known to be frequented by al-Qaida members confirmed that there was a technical problem with the al-Shamukh forum website and that the outage wasn't intentional, such as

performing site maintenance.

The fact that the forum wasn't knocked out sooner is revealing. Forcing a website offline can be a relatively easy matter. A so-called denial-of-service attack, which floods a website's servers with enormous amounts of webpage requests is a popular hacking activity. But it apparently wasn't used in this instance. Instead, cyber experts said it was a more complex attack.

Keynote Systems Inc., a San Mateo, Calif.-based company that specializes in measuring Internet and cellphone network response times, confirmed that the site was completely down from 14 cities around the world.

Based on the kind of error the site was giving people who tried to view the site, it is likely that someone stole the domain name and caused traffic to go to the wrong server, or that someone got access to the system and directed it to not return content, said Berkowitz, spokesman for Keynote.

Kohlmann said it appears that the people who control the website were diligent about backing up the content, so it could be back online soon.

Twitter Founders Return to Roots, Relaunch Obvious

Twitter co-founders Biz Stone and Evan Williams plan to revive Obvious, the company they conceived years ago as a technology project incubator that eventually spawned Twitter.

Stone and Williams will continue to advise Twitter on strategic matters, but devote the lions' share of their time to The Obvious Corporation, Stone said on Tuesday.

"The Twitter crew and its leadership team have grown incredibly productive. I've decided that the most effective use of my time is to get out of the way until I'm called upon to be of some specific use," Stone said in a blog post. http://www.bizstone.com/2011/06/its-so-obvious.html

"Our plan is to develop new projects and work on solving big problems aligned along a simple mission statement: The Obvious Corporation develops systems that help people work together to improve the world."

"This is a dream come true!" Stone said.

Dick Costolo replaced Williams as Twiter's CEO in October, a move Silicon Valley sources have said re-focused the microblogging sensation on monetization, or translating its fast-growing pool of users into revenue.

Sony Introduces Colorful New Vaio E- and C-Series Notebooks

Sony has taken the wraps off new additions to its Sony Vaio E-series and Vaio C-series notebook computers, featuring second-generation 'Sandy Bridge' Intel Core processors, a variety of screen sizes, and slim designs with colorful cases sure to appeal to consumers and anyone looking to stand out in a crowd. The new models also pack lots of entertainment options, along with Sony-specific technologies designed to make having

fun - and getting online - simpler and easier.

First up, the new Vaio E-series notebooks will be available in three screen sizes - 14, 15.5, and 17.3 inches - and second-generation Intel Core i3 or Core i5 processors and sport Intel s integrated graphics, although one 15.5-inch E-series model will feature an AMD E-350 Dual Core processors with AMD Mobility Radeon discrete graphics. Select models in the E-series will feature Intel Wireless Display technology (for pushing content to a big screen without fussing with cables), although all models will sport HDMI output along with a built-in mic and webcam for chatting. The E-series will also feature Sony s Web button for one-touch Internet access without fully booting into Windows, and Sony also rolls in its own media gallery and troubleshooting software. All models will sport an edge-to-edge isolated keyboard, while the 15.5- and 17.3-inch models also sport numeric keypads.

The new Vaio E-series systems will be available for pre-orders starting June 19 at prices starting at around $550. They ll be available in blue, white, pink, and black, with geometric patterns on the lids and matching palm rests - that AMD-powered model will only be available in black.

The new Vaio C-series systems step up a bit, offering either 14- or 15.5-inch screen sizes and second-generation Intel Core i3 or Core i5 processors. The displays are powered by Intel s integrated graphics, although selected models will be available with AMD Radeon HD 6630M hybrid graphics with 1 GB of dedicated video RAM. Sony says the 14-inch model gets up to nine hours of battery life for all-day on-the-go folks, while the 15.5-inch model can manage up to eight hours. The Vaio C-series will also offer Intel WiDi wireless display technology as an option: other options include Blu-ray drives, backlit keyboards with numeric keypads (select models). The new C-series systems will be available in blue or red with prices starting around $730; Sony is opening up pre-orders June 19, with the blue version landing at retailers in July and the red version coming to retail partners - this summer.

Meet Google s Facebook Competitor, The Google+ Project

Move over +1 - Google's very own social network has bubbled up to the service at long last. Called the Google+ Project, the venture seems to be a collection of standalone social features, rather than a one-stop social hub like Facebook. With the goal of making "sharing online more like sharing in real life," Google will seek to integrate this new social stuff into its body of existing online services.

Circles There were murmurings of this a few months ago, and now Circles appears to be the backbone of the Google+ project. By letting you create different filters for your online social life, Circles can "share different things with different people." According to Google, "Circles makes it easy to put your friends from Saturday night in one circle, your parents in another, and your boss in a circle by himself." Circles sounds like the biggest news, signifying a move away from both Facebook's system of public, unified online identity and from Google's own past privacy social snafus.

Hangouts A tool called Hangouts offers group video chat for up to 10 users. You can notify specific friends or whole Circles that you're "hanging out" and watch them pop up on screen for a mass video chat.

But that's not all - there's a bit more under the Google+ Project umbrella.

Huddle helps you get your friends on the same page (when deciding on what movie to see, for example) through a group chat interface. A feature called Instant Upload will incorporate Circles to help you share photos and videos instantly with the right group of friends (and not with your boss or your mom). Sparks is a kind of social suggestion engine, where users can plug in what interests them and in turn recommend it to friends to "strike up a conversation."

After Google's past privacy flare-ups, the company looks to be steering its social ship in the right direction. Google users are understandably wary of socializing their existing Googleverses - most anyone's Gmail account stores a vast array of contacts, some of which you probably wouldn't want to "hangout" with any time in the foreseeable future.

Google+ features seem geared to rein in your online social experience from the start in an organic way, so you won't have to feel guilty about that invite from your uncle or your boss idling in your friend requests folder. Of course, on Facebook, all user interactions are funneled through profile pages and anyone wary of prying eyes must tweak the site's somewhat obfuscated privacy settings, usually blocking or limiting other users' access.

The Google+ Project is currently in an invitation-only "field trial" period, but you can request an invitation and view an interactive preview on Google's official project page.

Microsoft Launches Web-based Office Suite

Microsoft Corp. has officially launched its Web-based email and Office services, part of its ongoing effort to keep Google at bay when it comes to business software.

"Office 365" has been available in a test version since last year. It combines Web-based versions of Word, Excel and other Office applications. It also includes the Exchange e-mail system, SharePoint online collaboration technology and Microsoft's instant messaging, Internet phone and video conferencing system.

The latest software package comes as companies are increasingly shifting to storing data and applications on remote servers rather than on users' desktop computers. In 2006, Google Inc. launched its own suite of office software that's based in the "cloud," called Google Apps.

Microsoft said Tuesday that it plans to charge $2 to $27 per month per user for Office 365 depending on what's included. Google Apps costs $4 or $5 per month.

News Corp Sells Myspace, Ending Six-Year Saga

News Corp has sold Myspace for $35 million, a fraction of what it paid for the once-hot social media site even as a new generation of Web-based start-ups is enjoying sky-high valuations.

Advertising company Specific Media will team with the singer Justin

Timberlake to acquire Myspace in a deal that caps a tumultuous period of ownership under Rupert Murdoch's News Corp, which swooped in to buy Myspace for $580 million in 2005.

At the time, Myspace was among the world's most popular websites, and News Corp's success in beating out rival Viacom Inc in a bidding war was viewed as a major victory for Murdoch. Since then, however, Facebook has eclipsed Myspace in popularity, and the deal has become a hard lesson in what can happen when a traditional media company imposes its will on a start-up.

It also shows how quickly audience - and investor - tastes can shift in the world of social networking. Indeed, Wednesday's deal contrasts sharply with the current frenzy over social media companies, including LinkedIn, Twitter and Groupon, among investors looking for the next big thing.

Another of the hot start-ups, Zynga, an online social game company, plans to raise up to $2 billion in an initial public offering that could be filed by Thursday, valuing the company at $20 billion

"This is a mistake that will repeat itself," James McQuivey, an analyst with Forrester Research, said of the Myspace saga. "I'm not sure that someone being pushed on by early round investors, someone reading their own press, which is praising them, will stop and say, 'Wait, is this a one-year fad, a two-year fad? Or is this a five-year to ten-year change in the way things are done?'"

The Myspace transaction calls for News Corp to retain a minority stake in the website, the companies said in a statement, confirming a deal that was reported earlier.

Specific Media, which specializes in digital advertising, did not disclose financial terms. It announced, however, that Timberlake - who happens to have played Facebook adviser and investor Sean Parker in the movie "The Social Network" - would take an ownership stake and serve a "major role" in developing a strategy for Myspace.

A source familiar with the transaction said the deal is worth $35 million and is a mix of cash and stock. News Corp will retain about 5 percent, the source said.

Additionally, more than half of Myspace's 500-strong workforce is expected to be laid off because of the sale, the source said.

The deal comes after a four-month bidding process in which a number of different possible buyers surfaced, including other social networking sites and private equity firms. The auction had been expected to fetch in the neighborhood of $100 million.

In the end, the sale serves as the latest example of what can happen to a once coveted company with a rocket-like trajectory that quickly loses its luster as competitors zoom past it in popularity.

Founded in August 2003 by Chris De Wolfe and Tom Anderson, Myspace was conceived as a way for friends and fans to connect with one another as well as with their favorite bands and artists.

Myspace, a kind of musical version of pioneer social network site Friendster, fast became wildly popular with teenagers and young adults, who spent hours designing their own pages with their favorite digital wallpaper, posting photos and adding friends.

At its peak in 2008, Myspace attracted nearly 80 million people in the United States, almost double that of Facebook.

The growth was too fast and Myspace had trouble scaling the number of users who were flocking to the site. Meanwhile Facebook had opened up its platform to third-party developers, such as Zynga and its popular FarmVille game. That attracted more people and kept them on the site.

By 2011, the number of U.S. visitors to Myspace fell to about 40 million while those visiting Facebook totaled about 150 million, according to online measurement firm comScore.

For the quarter ended March 2011, News Corp reported a segment operating loss of $165 million, mainly due to declines at Myspace.

Facebook Bans KDE Application, Deletes User Photos

KDE App Banned FacebookKDE users have gotten a rather unpleasant surprise from Facebook: Not only is the site blocking KDE apps like Gwenview from uploading, the social media giant has also taken down photos uploaded with the KDE plugins. Yet another reason that users might think twice before depending on Facebook for photo storage.

I stumbled on this via, of course, Facebook. A friend of mine had posted that the "kipi" (KDE Plug-Ins) that handles uploading to Facebook had been banned. That's annoying, but not a major issue - but the real issue is that the site has also apparently zapped photos 'already uploaded' using KDE applications that depend on the plugin. I would point you to the bug, but apparently bugs.kde.org is unaccustomed to the amount of interest that the bug is receiving. (Maybe it's up by the time you read this, though.)

Thinking it might be a single user glitch or limited to one area, I decided to fire up Gwenview and try to upload a picture. No dice - I got the "Facebook Call Failed: Invalid API key" error. I don't typically use Gwenview to upload photos, so I can't see of my photos missing, but I'll take my friend's word for it.

It's popular for people to talk about hating Facebook or, for a smaller group, not using Facebook. I'm not going to go there - I don't particularly trust Facebook, but I do use the site and (so far) find that the positives outweigh the negatives. But this is an object lesson in why users should /never/ depend on Facebook or assume that their data stored on the site will be there five minutes from now. (You also should not assume that anything stored on Facebook is private, but that's another conversation for another time.)

While I use Facebook and other sites, I always keep local copies of photos or anything else that I share. What's a shame is that you have to assume that the conversations that accompany photos, etc., are ephemeral. Maybe they'll be there in six months, maybe they'll be gone in sixty seconds.

Whether Facebook will be able to revert the photos, or why the company mistakenly banned an innocent FOSS application from uploads and storage is almost beside the point. It's nothing new, and almost certainly won't

be the last time that the site mistakenly blocks a legitimate app or
fumbles user data.

This is yet another argument for distributed, free software social media
tools like GNU MediaGoblin. Facebook's mission is 'not' to carefully tend
to its users data. Facebook's users aren't even the company's customers –
it's all about the advertisers and companies it can sell marketing data to.
Your comments, photos, profile, and time spent on Facebook's site are the
company's *product* not its business.

So I won't tell people "don't use Facebook" because that ship has
already sailed unless the company commits a particularly heinous breach
of user trust, or something more popular eclipses it. But I will say
this: Use Facebook like you use any shared space. You never know who
might be observing, and anything you leave behind might be gone five
seconds after you turn your back.

Security Researchers Discover 'Indestructible' Botnet

More than four million PCs have been enrolled in a botnet security
experts say is almost "indestructible".

The botnet, known as TDL, targets Windows PCs and is difficult to detect
and shut down.

Code that hijacks a PC hides in places security software rarely looks
and the botnet is controlled using custom-made encryption.

Security researchers said recent botnet shutdowns had made TDL's
controllers harden it against investigation.

The 4.5 million PCs have become victims over the last three months
following the appearance of the fourth version of the TDL virus.

The changes introduced in TDL-4 made it the "most sophisticated threat
today," wrote Kaspersky Labs security researchers Sergey Golovanov and
Igor Soumenkov in a detailed analysis of the virus.

"The owners of TDL are essentially trying to create an 'indestructible'
botnet that is protected against attacks, competitors, and anti-virus
companies," wrote the researchers.

Recent successes by security companies and law enforcement against
botnets have led to spam levels dropping to about 75% of all e-mail sent
<http://www.symantec.com/connect/blogs/why-my-email-went>, shows
analysis by Symantec.

A botnet is a network of computers that have been infected by a virus
that allows a hi-tech criminal to use them remotely. Often botnet
controllers steal data from victims' PCs or use the machines to send out
spam or carry out other attacks.

The TDL virus spreads via booby-trapped websites and infects a machine
by exploiting unpatched vulnerabilities. The virus has been found
lurking on sites offering porn and pirated movies as well as those that
let people store video and image files.

The virus installs itself in a system file known as the master boot record. This holds the list of instructions to get a computer started and is a good place to hide because it is rarely scanned by standard anti-virus programs.

The biggest proportion of victims, 28%, are in the US but significant numbers are in India (7%) and the UK (5%). Smaller numbers, 3%, are found in France, Germany and Canada.

However, wrote the researchers, it is the way the botnet operates that makes it so hard to tackle and shut down.

The makers of TDL-4 have cooked up their own encryption system to protect communication between those controlling the botnet. This makes it hard to do any significant analysis of traffic between hijacked PCs and the botnet's controllers.

In addition, TDL-4 sends out instructions to infected machines using a public peer-to-peer network rather than centralised command systems. This foils analysis because it removes the need for command servers that regularly communicate with infected machines.

"For all intents and purposes, [TDL-4] is very tough to remove," said Joe Stewart, director of malware research at Dell SecureWorks to Computerworld. "It's definitely one of the most sophisticated botnets out there."

However, the sophistication of TDL-4 might aid in its downfall, said the Kaspersky researchers who found bugs in the complex code. This let them pry on databases logging how many infections TDL-4 had racked up and was aiding their investigation into its creators.

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